COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN EXAMINATION BY THE PUBLIC SERVICE COMMISSION OF THE ENVIRONMENTAL SURCHARGE MECHANISM OF LOUISVILLE GAS AND ELECTRIC COMPANY AS BILLED FROM NOVEMBER 1, 1995 TO APRIL 30, 1996	) CASE NO. 96-290

ORDER

On June 27, 1996, the Commission initiated this proceeding to review Louisville Gas and Electric Company's ("LG&E") environmental surcharge as billed to customers for the six months November 1, 1995 through April 30, 1996.[1] Pursuant to KRS 278.183(3), the Commission must review, at six-month intervals, the past operations of the surcharge and, after hearing, disallow any surcharge amounts that are not just and reasonable and reconcile past surcharge collections with actual costs recoverable.

In anticipation that those parties to LG&E's last six-month review would desire to participate in this proceeding, the Attorney General's Office ("AG") and the Kentucky Industrial Utility Customers ("KIUC") were deemed parties to this proceeding. A public hearing was held on September 27, 1996. All information requested at the public hearing has been filed.

MODIFICATION OF SURCHARGE MECHANISM

The issue of modifying the Gross Environmental Surcharge Revenue Requirement ("E(m)") from a total company to retail only basis was raised in LG&E's last six-month

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1 As LG&E's surcharge is billed on a two-month lag, the amounts billed from November 1995 through April 1996 are based on costs incurred from September 1995 through February 1996.

review, Case No. 95-455,[2] and has been explored extensively in this proceeding. Currently, an expense month E(m) is calculated on a total company basis. The expense month E(m) is then divided by the 12-month moving average of Total Company Revenues to yield the expense month billing factor. This factor is multiplied by Kentucky Retail Revenues ("KY Revenues") for the billing month to produce Kentucky surcharge revenues billed.

During the six-month reviews, total company over- or under-recovery amounts are determined. First, Kentucky surcharge revenues allowed are calculated by multiplying the expense month E(m) by the ratio of expense month KY Revenues to expense month Total Company Revenues. The Kentucky surcharge revenues allowed are then compared to actual Kentucky surcharge revenues billed to determine the monthly Kentucky Retail over- or under-recovery. A gross-up factor is applied to each monthly over- or under-recovery to restate the amount on a total company basis. The gross-up factor is calculated by dividing the billing month Total Company Revenues by the billing month KY Revenues.[3]

LG&E indicated that it was reasonable to calculate the surcharge on a retail only basis, provided that environmental surcharge costs were properly allocated between retail and wholesale customers.[4] LG&E's proposal to modify its surcharge is that E(m) continues

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2 Case No. 95-455, An Examination by the Public Service Commission of the Environmental Surcharge Mechanism of Louisville Gas and Electric Company as Billed from May 1, 1995 to October 31, 1995, final Order dated April 10, 1996.

3 The percentage used to determine the Kentucky surcharge revenues allowed and the gross-up factor are based on revenue amounts which exclude Kentucky environmental surcharge revenues from the calculations.

4 Response to the Commission's Order dated July 25, 1996, Item 3.

to be calculated on a total company basis each expense month. E(m) would then be allocated to Kentucky retail customers using a retail allocation percentage. After determining the Kentucky retail E(m) ("KY E(m)"), a monthly billing factor would be calculated by dividing the KY E(m) by the 12-month moving average of KY Revenues. The resulting billing factor would be applied to the billing month KY Revenues, as is currently done. During six-month reviews, the surcharge revenues billed to Kentucky retail customers would be compared with the KY E(m) to determine the monthly over- or under-recovery. A correction factor to refund or collect the net over- or under-recovery would be determined for the six-month review period. LG&E's modification would eliminate the need to gross-up the monthly over- or under-recoveries during the six-month reviews.[5]

The retail allocation percentage proposed by LG&E was the ratio of expense month KY Revenues to expense month Total Company Revenues, exclusive of actual retail and any imputed wholesale surcharge revenues. LG&E proposed to impute wholesale surcharge revenues, arguing that since the Commission had allocated environmental compliance costs to wholesale sales, consistency and equity required imputing cost recovery for wholesale revenues. LG&E claimed that if environmental surcharge revenues are removed from one side of the equation to determine the allocation of environmental costs, they must be removed from the other side or the allocation methodology will be mathematically flawed.[6]

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5 Feltner Testimony at 4 and 6, and Feltner Exhibits A and B.

6 Response to the Commission's Order dated July 25, 1996, Item 1.

In its brief, LG&E indicated that it favored the continued use of a revenues based allocator rather than changing to one based on Kwh sales. LG&E stated that the only purpose of changing to a Kwh basis would be to reduce the amount of costs allocated to retail. Noting that its surcharge includes predominately fixed costs which do not vary with the amount of generation, LG&E contended that the continued use of a revenue allocator was consistent with the methodology used in its last rate case to allocate fixed generation costs.[7]

The reasonable allocation of environmental compliance costs between retail and wholesale customers has always been a primary consideration in these reviews. Modifying the surcharge mechanism to a retail only basis is a reasonable alternative to the current methodology. The Commission will adopt LG&E's proposal with one significant modification. The retail allocation percentage will be based on revenues exclusive of actual retail surcharge revenues with no imputation of wholesale surcharge revenues.

The Commission is not persuaded by LG&E's arguments that wholesale surcharge revenues should be imputed. In Case No. 95-455, LG&E's proposal to impute wholesale surcharge revenues was rejected because LG&E could only make assumptions as to an amount of wholesale surcharge revenues. There are no identifiable wholesale surcharge revenues due to wholesale sales being priced in a competitive market.[8] During this proceeding, LG&E acknowledged that the Federal Energy Regulatory Commission, which has jurisdiction over wholesale sales, has not approved a wholesale environmental

7 LG&E Brief, at 6-7.

8 Case No. 95-455, final Order dated April 10, 1996, at 5.

surcharge for LG&E.[9] LG&E agreed that while all the costs included in its surcharge mechanism were fixed costs, it did not assume that the first cost recovered in a wholesale power transaction was the portion of the environmental surcharge revenue requirement allocated to wholesale sales.[10] The Commission agrees that to be consistent mathematically, the numerator and denominator of the allocation percentage must be on a common basis. However, that commonality is more appropriately achieved by excluding all identifiable surcharge revenues, rather than by imputing wholesale surcharge revenues. In addition, since LG&E's wholesale rates do not include an identifiable environmental component, there is no basis to deduct an imputed amount.

The adoption of a retail only based surcharge mechanism will require several modifications to existing monthly reporting formats. The modified formats are attached hereto as Appendix B, and they should be used for all monthly surcharge reports filed subsequent to the date of this Order.

COLLECTIONS SUBJECT TO REFUND

The Commission's Order in Case No. 94-332[11] establishing a surcharge for LG&E was appealed to the Franklin Circuit Court by the AG, KIUC, and others. That Court has

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9 Transcript of Evidence ("T.E."), September 27, 1996, at 23.

10 Id. at 23-24.

11 Case No. 94-332, The Application of Louisville Gas and Electric Company for Approval of Compliance Plan and to Assess a Surcharge Pursuant to KRS 278.183 to Recover Costs of Compliance with Environmental Requirements for Coal Combustion Wastes and By-Products, final Order dated April 6, 1995.

not entered a judgment on the appeal.[12] In its April 10, 1996 Order in Case No. 95-455, the Commission made all environmental surcharge revenues collected from that date subject to refund pending the final determination in Case No. 94-332. In light of the continuing appeals process, the Commission believes it is appropriate to continue the subject to refund provision.

SURCHARGE ADJUSTMENT

Using the total company approach, LG&E determined that it under-recovered its environmental costs by $336,622 for the six-month review period. LG&E calculated a positive monthly correction factor of .120 percent[13] to be applied to the six billing months following the Commission's decision in this proceeding. Using its proposed retail only basis, LG&E determined that it had under-recovered its environmental costs by $298,682, resulting in a positive monthly correction factor of .114 percent.[14]

The Commission's Order in Case No. 94-332 requires LG&E to flow through to ratepayers the net proceeds from the sale of scrubber by-products. During the review period, LG&E included the net proceeds from by-products[15] in the calculation of E(m). At the public hearing, LG&E announced that it had determined that the proceeds and

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12 In addition, the Commission's Orders in Case No. 93-465 establishing a surcharge for KU were appealed to the Franklin Circuit Court. The July 28, 1995 Franklin Circuit Court Judgment has been appealed to, and is pending before, the Kentucky Court of Appeals. The surcharge mechanisms of LG&E and KU are similar.

13 Response to the Commission's June 27, 1996 Order, Item 1, page 1 of 2. The schedule shows under-recovery as a negative amount, thus a positive correction factor carries a minus sign.

14 Feltner Exhibit B. See Footnote 13.

15 Specifically, fly ash and bottom ash.

expenses associated with these by-products were not part of any of the projects in its approved compliance plan nor were they connected in any way with the operation of LG&E's scrubbers. Therefore, the net proceeds included in the surcharge calculations should be removed.[16]

LG&E suggested that the net proceeds in the current review period could be refunded through the correction factor or LG&E could refund the total amount in a subsequent monthly surcharge filing. LG&E indicated that there were by-product net proceeds in the first six-month review period and suggested that if the Commission desired, the relevant amounts could be adjusted in the next six-month period.[17] LG&E also noted that these by-product net proceeds had been included in surcharges for the subsequent six-month period beginning March 1996. LG&E suggested that a correction for these net proceeds could be made in the filing for September 1996. LG&E calculated the impact of removing the by-product net proceeds from the current and prior six-month review periods to result in a positive monthly correction factor of .094 percent on a total company basis, and a positive monthly correction factor of .090 percent on a retail basis.[18]

The Commission will accept LG&E's determination that these by-product net proceeds should not be included in the surcharge calculations. For this review period, the net proceeds will be excluded and E(m) recalculated. For the review period covered in Case No. 95-455, the impact of the net proceeds will be reversed and included in the

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16 LG&E Brief, at 2.

17 Id., at 2-3.

18 Id., at 3-4; also Brief Schedules II, page 1 of 2, and III.

correction factor determined in this proceeding. For billing months subsequent to April 30, 1996, the net proceeds will be excluded when the correction factor is determined during the next six-month review. Subsequent to the date of this Order, these net proceeds will not be included in the E(m) calculation.

The Commission has recalculated LG&E's under-recovery, reflecting the adoption of a retail only mechanism and removing the by-product net proceeds from the calculation of monthly E(m). The Commission has determined that in the current review period LG&E under-recovered $210,626, as shown in Appendix A. Including the adjustment for the first six-month review increases the total under-recovery to $233,953. This will result in a positive surcharge correction factor of .089 percent.[19]

IT IS THEREFORE ORDERED that:

1. LG&E shall apply a positive correction factor of .089 percent to the environmental surcharge factors over the next six months, beginning with its next monthly surcharge filing subsequent to the date of this Order.

2. LG&E's proposed correction factor is denied.

3. All surcharge revenues collected during the six-month period under review shall be subject to refund pending the final resolution of Case No. 94-332. LG&E shall maintain its records in a manner that will enable it, the Commission, or any of its customers to determine the amounts to be refunded and to whom due in the event a refund is ordered.

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[19] As was the case in LG&E's calculations, Appendix A shows under-recovery as a negative amount, thus a positive correction factor carries a minus sign.

4. The modified reporting formats shown in Appendix B shall replace the corresponding formats authorized in Case Nos. 94-332 and 95-455. The modified formats shall be used in the monthly surcharge reports filed subsequent to the date of this Order.

5. LG&E shall incorporate all revisions made in this Order in the appropriate future six-month review proceedings.

Done at Frankfort, Kentucky, this 12th day of November, 1996.

PUBLIC SERVICE COMMISSION

Linda K Breathitt
Chairman

Edward J. Holmes
Vice Chairman

B. J. Helton
Commissioner

ATTEST:

Don Mills
Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION
IN CASE NO. 96-290 DATED NOVEMBER 12, 1996

CALCULATION OF OVER/(UNDER) COLLECTION AND SURCHARGE CORRECTION FACTOR
RETAIL ONLY BASIS

(1) CURRENT EXPENSE MONTH	(2) E(m) GROSS ENVIRONMENTAL SURCHARGE REVENUE REQUIREMENT Note 1	(3) EXPENSE MONTH KENTUCKY RETAIL ALLOCATION PERCENTAGE Note 2	(4) KENTUCKY RETAIL E(m) Note 3	(5) 12-MO MOV AV KENTUCKY RETAIL REVENUE [Incl. FAC Excl. ES]	(6) KENTUCKY RETAIL ES REVENUE AS BILLED Note 4	(7) KENTUCKY RETAIL OVER/(UNDER) COLLECTION Note 5
SEP 1995	429,871	0.958596	412,073	43,349,209		
OCT 1995	457,231	0.926709	423,720	43,412,762		
NOV 1995	466,350	0.875674	408,371	43,580,637	325,734	(86,339)
DEC 1995	486,357	0.923222	449,015	43,682,487	375,995	(47,725)
JAN 1996	521,939	0.902161	470,873	43,899,742	433,729	25,358
FEB 1996	525,251	0.911387	478,707	44,071,923	438,225	(10,790)
MAR 1996					439,692	(31,181)
APR 1996					418,758	(59,949)
TOTALS	2,886,999		2,642,759	261,996,760	2,432,133	(210,626)

TOTAL OVER/(UNDER) COLLECTION FOR SIX MONTH PERIOD	(210,626)
BY-PRODUCT ADJUSTMENT TO FIRST SIX-MONTH SURCHARGE REVIEW, CASE NO. 95-455 (See page 4 of 4)	(23,327)
TOTAL OVER/(UNDER) COLLECTION	(233,953)
TOTAL SIX MONTHS REVENUE (COL 5) EXPENSE MONTH SEPTEMBER 1995 THROUGH FEBRUARY 1996	261,996,760
CORRECTION FACTOR - REDUCTION/(INCREASE)	-0.089%

Note 1: Recalculated to reflect removal of By-Product Revenues and Expenses originally claimed by LG&E.
Note 2: Allocation Percentage based on Expense Month KY Retail Revenues divided by Expense Month Total Company Revenues. See page 2 of 3.
Note 3: Total Company E(m) multiplied by KY Retail Allocation Percentage, Column 2 times Column 3.
Note 4: Surcharge Revenue As Billed from Monthly ES Form 3.0.
Note 5: Billing Month Retail Revenue as billed (Column 6) minus corresponding Expense Month Retail E(m) (Column 4).

APPENDIX A

CALCULATION OF OVER/(UNDER) COLLECTION AND SURCHARGE CORRECTION FACTOR
SUPPORTING CALCULATIONS

KENTUCKY RETAIL ALLOCATION PERCENTAGE -

(1) EXPENSE MONTH	(2) KENTUCKY RETAIL REVENUE [Incl. FAC Excl. ES]	(3) TOTAL COMPANY REVENUES [Incl. FAC Excl. ES]	(4) KENTUCKY RETAIL ALLOCATION PERCENTAGE (2) / (3)
SEP 1995	58,363,497	60,884,374	0.958596
OCT 1995	36,801,227	39,711,745	0.926709
NOV 1995	36,112,466	41,239,618	0.875674
DEC 1995	36,891,147	39,959,133	0.923222
JAN 1996	41,445,705	45,940,477	0.902161
FEB 1996	40,647,894	44,600,032	0.911387
OVERALL	250,261,936	272,335,379	0.918948

12-MONTH MOV. AV. RETAIL REVENUES -

(5) MONTH	(6) KENTUCKY RETAIL REVENUE [Incl. FAC Excl. ES]	(7) 12-MO MOV AV KENTUCKY RETAIL REVENUES
OCT 94	36,038,594	
NOV 94	34,097,956	
DEC 94	35,668,952	
JAN 95	38,838,642	
FEB 95	38,581,726	
MAR 95	36,835,891	
APR 95	34,965,813	
MAY 95	35,117,840	
JUN 95	49,140,720	
JUL 95	58,298,698	
AUG 95	64,242,176	
SEP 95	58,363,497	43,349,209
OCT 95	36,801,227	43,412,762
NOV 95	36,112,466	43,580,637
DEC 95	36,891,147	43,682,487
JAN 96	41,445,705	43,899,742
FEB 96	40,647,894	44,071,923

NOTES: Expense Month Revenues from Monthly ES Form 3.0.
Percentage in Column (4) shown on ES Form 4.0, page 1 of 2, Column (3).
Moving Average Revenues in Column (7) shown on ES Form 4.0, page 1 of 2, Column (5).

APPENDIX A

CALCULATION OF OVER/(UNDER) COLLECTION AND SURCHARGE CORRECTION FACTOR
RECALCULATION OF E(m)

	EXPENSE MONTH SEPTEMBER 1995	EXPENSE MONTH OCTOBER 1995	EXPENSE MONTH NOVEMBER 1995	EXPENSE MONTH DECEMBER 1995	EXPENSE MONTH JANUARY 1996	EXPENSE MONTH FEBRUARY 1996
CALCULATION OF E(m) [As Reported] -						
Rate Base	50,301,752	51,051,111	52,055,256	56,183,826	56,230,991	56,945,957
Rate Base / 12	4,191,813	4,254,259	4,337,938	4,681,986	4,685,916	4,745,496
ROR+(ROR-DR)(TR/(1-TR))	5.60%	5.60%	5.60%	5.60%	5.60%	5.60%
Return on RB / 12	234,742	238,239	242,925	262,191	262,411	265,748
Pollution Control Oper. Exp.	195,129	218,992	223,425	224,166	259,528	259,503
By-Product & Allowance Sales	(9,441)	16,767	22,612	18,045	23,313	24,000
E(m)	420,430	473,998	488,962	504,402	545,252	549,251
REVISION TO E(m) -						
E(m)	420,430	473,998	488,962	504,402	545,252	549,251
Less: Net By-Product Proceeds	9,441	(16,767)	(22,612)	(18,045)	(23,313)	(24,000)
Revised E(m)	429,871	457,231	466,350	486,357	521,939	525,251

NOTES: Reported E(m) from Monthly ES Form 1.0.
Net By-Product Proceeds from Monthly ES Form 2.0. There were no Emission Allowance proceeds reported during the review period.

APPENDIX A

ADJUSTMENT TO FIRST SIX-MONTH SURCHARGE REVIEW, CASE NO. 95-455
CALCULATION OF BY-PRODUCT NET PROCEEDS AMOUNT INCLUDED IN E(m)

(1) EXPENSE MONTH	(2) BY-PRODUCT SALES Note 1	(3) BY-PRODUCT EXPENSES Note 1	(4) BY-PRODUCT NET PROCEEDS (2) - (3)	(5) PERCENTAGE RETAIL TO TOTAL COMPANY Note 2	(6) RETAIL PORTION OF NET PROCEEDS (4) x (5)
MAR 1995	1,326	0	1,326	93.1344%	1,235
APR 1995	0	0	0	91.2614%	0
MAY 1995	3,853	0	3,853	89.5190%	3,449
JUN 1995	9,495	0	9,495	91.5453%	8,692
JUL 1995	0	0	0	96.7269%	0
AUG 1995	25,270	15,032	10,238	97.1979%	9,951
TOTALS	39,944	15,032	24,912		23,327

Note 1: By-Product Sales and Expenses from monthly ES Form 2.0.
Note 2: Percentages from Commission's April 10, 1996 Order in Case No. 95-455, Appendix A, page 2.

Since Sales exceeded Expenses, the net proceeds represent income LG&E returned to ratepayers, which is now to be reversed. The retail portion of the net proceeds will increase the amount of under-recovery calculated for LG&E, as is shown on page 1 of 4.

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 96-290 DATED NOVEMBER 12, 1996

INDEX OF MODIFIED REPORTING FORMATS FOR THE LOUISVILLE GAS AND ELECTRIC COMPANY ENVIRONMENTAL SURCHARGE [Monthly, 6-Month Review, and 2-Year Review]

<u>Monthly Reporting Formats</u>:

ES Form 1.0	Calculation of E(m) and Retail Environmental Surcharge Billing Factor
ES Form 3.0	Average Monthly Retail Revenue Computation R(m)

<u>Six-Month and 2-Year Review Formats</u>:

ES Form 4.0	Environmental Surcharge Recap Page 1 of 2 - Calculation of Over/(Under) Collection Page 2 of 2 - Calculation of Allocation Percentage and 12-Month Moving Average Retail Revenues

Note: While not requiring modification, all other Monthly and Review Formats are required to be filed as currently done.

ES Form 1.0

LOUISVILLE GAS AND ELECTRIC COMPANY
ENVIRONMENTAL SURCHARGE REPORT
CALCULATION OF E(m) AND
RETAIL ENVIRONMENTAL SURCHARGE BILLING FACTOR
For the Expense Month of ____________

CALCULATION OF E(m)

E(m) = [(RB/12)(ROR)] + OE - BAS

Where:

E(m)	=	Total Company Environmental Surcharge Gross Revenue Requirement
RB	=	Environmental Compliance Rate Base
ROR	=	Rate of Return on Environmental Compliance Rate Base, adjusted ("grossed up") for Income Taxes
OE	=	Pollution Control Operating Expenses
BAS	=	Gross Proceeds from By-Product and Allowance Sales

RB	= $
RB/12	= $
ROR	=
OE	= $
BAS	= $
E(m)	= $

CALCULATION OF RETAIL ENVIRONMENTAL SURCHARGE BILLING FACTOR

Retail Allocation Percentage for Expense Month		=
Retail E(m):	E(m) x Retail Allocation Percentage	= $
Retail R(m):	Average Monthly Retail Revenue for the 12 Months Ending with the Current Expense Month	= $

Retail Environmental Surcharge Billing Factor:

Retail E(m) ÷ Retail R(m) (% of Revenue)	=
Adjusted for Over- or Under-Recovery Correction Factor	=
Adjusted Retail Environmental Surcharge Billing Factor	=

Effective Date for Billing: ____________________

Submitted By: ____________________

Title: ____________________

Date Submitted: ____________________

ES Form 3.0

LOUISVILLE GAS AND ELECTRIC COMPANY - ENVIRONMENTAL SURCHARGE
AVERAGE MONTHLY RETAIL REVENUE COMPUTATION R(m)
For the Month Ended ____________

	Kentucky Retail Revenue					Wholesale Revenues	Total Company	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Month	Base Revenues [Incl. DSM Revenues]	Fuel Clause Revenues	Environ-mental Surcharge	Total (2)+(3)+(4)	Total Excluding Environ. Surcharge (5)-(4)	Total	Total (5)+(7)	Total Excluding Environ. Surcharge (8)-(4)
(Month 1)								
(Month 2)								
(Month 3)								
(Month 4)								
(Month 5)								
(Month 6)								
(Month 7)								
(Month 8)								
(Month 9)								
(Month 10)								
(Month 11)								
(Month 12)								
Average Monthly Retail Revenues, Excluding Environmental Surcharge, for 12 Months Ending ____________								
Retail Allocation Percentage for Current Expense Month (Environmental Surcharge excluded from calculation): Expense Month Kentucky Retail Revenues divided by Expense Month Total Company Revenues. Column (6) ÷ Column (9) =								

LOUISVILLE GAS AND ELECTRIC COMPANY - ENVIRONMENTAL SURCHARGE
SIX-MONTH AND TWO-YEAR REVIEW
ENVIRONMENTAL SURCHARGE RECAP
For the Period ______________ through ____________

CALCULATION OF OVER/(UNDER) COLLECTION

(1)	(2)	(3)	(4)	(5)	(6)	(7)
Current Expense Month	E(m), Total Company Gross Env. Surch. Revenue Requirement [Note 1]	Expense Month KY Retail Allocation Percentage [Note 2]	KY Retail E(m) [(2) x (3)]	12-Mo. Mov. Av. KY Retail Revenue [Incl. FAC Excl. ES]	KY Retail ES Revenue As Billed [Note 3]	KY Retail Over/(Under) Collection [Note 4]
Review Period Totals						
Total Over/(Under) Collection for Review Period						
Total Review Period Revenue (Column 5), Expense Month ____________ through ____________						
Correction Factor - Reduction/(Increase) (Total Over/(Under) Collection ÷ Total Review Period Revenue)						%

For each Expense Month included in the Review Period (6-month or 2-year), list the appropriate ratios and revenues.

Note 1: E(m) = [(RB/12)(ROR)] + OE - BAS
Note 2: See ES Form 4.0, page 2 of 2.
Note 3: Surcharge Revenue As Billed from Monthly ES Form 3.0.
Note 4: Billing Month Retail Revenue As Billed (Column 6) minus corresponding Expense Month Retail E(m) (Column 4).

LOUISVILLE GAS AND ELECTRIC COMPANY
ENVIRONMENTAL SURCHARGE
SIX-MONTH AND TWO-YEAR REVIEW
ENVIRONMENTAL SURCHARGE RECAP

For the Period ________________ through ______________

CALCULATION OF ALLOCATION PERCENTAGE

(1)	(2)	(3)	(4)
Current Expense Month	Expense Month KY Retail Revenues [Incl. FAC Excl. ES]	Expense Month Total Company Revenues [Incl. FAC Excl. ES]	KY Retail Allocation Percentage (2) ÷ (3)

Note: Revenue amounts from Monthly ES Form 3.0. Record Percentages in Column 4 on ES Form 4.0, page 1 of 2, Column 3.

CALCULATION OF 12-MONTH MOVING AVERAGE
RETAIL REVENUES

(1)	(2)	(3)
Month	Monthly KY Retail Revenues [Incl. FAC; Excl. ES]	12-Mon. Mov. Av. KY Retail Revenues

Attach a schedule showing the calculation of the 12-month moving average Kentucky retail revenues for the applicable months of the review period. The schedule should be organized as shown above. Record moving average revenues in Column 3 on ES Form 4.0, page 1 of 2, Column 5.